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SUBJECT: Nike Facing Old Child Labor Allegations Anew in Jiangsu

¶1. (SBU) SUMMARY: A disgruntled former employee of a Nike supplier in east China has alleged that his company and others supplied Nike with soccer balls made with child labor 2003-2007. Nike said it investigated identical allegations in 2007 but, after failing to substantiate the claims, concluded that the balls in question were fakes, and thus outside of Nike's supply chain. Nike is engaging with the Fair Labor Association and intellectual property specialists to again review the allegations, which Nike says contain factual errors. The supplier is considering legal action against China Business Journal, a periodical publishing the allegations.
END SUMMARY.

Soccer Balls and Child Labor

¶2. (SBU) The China Busines Journal reported that an individual fired from Nike supplier Shanghai Wanda in July alleged that, between 2003 and 2007, suppliers providing hand-sewn soccer balls to Nike used child labor in their supply chains. The allegations, which originally came to light in 2007 but according to Nike could not be substantiated at that time, are, as before, accompanied by photographs in a recent article in China Business Journal showing young-looking kids in school kerchiefs in a home-work environment assembling what appear to be Nike-branded soccer balls.

Balls could be Fakes

¶3. (SBU) During the initial 2007 investigation, Nike established only that one production center in Jiangsu Province had abnormally high output. According to a Nike representative based in Guangzhou, high output levels could indicate off-the-books workers or additional subcontracting in the supply chain. Nike was subsequently unable to identify any evidence of child labor or other illegal labor practices, and production levels at the outlying production center returned to normal following the investigation.

¶4. (SBU) The 2007 Nike investigation also concluded that the soccer balls in the photographs were probably counterfeit goods produced outside Nike's supply chain. The Nike representative noted that identical balls were available in Guangzhou counterfeit goods markets at the time.

¶5. (SBU) While Nike said it has no information that these new allegations have merit, it nonetheless has involved the Fair Labor Association and a third-party intellectual property protection firm to work with Nike's brand protection office in this case. Nike claims that certain aspects of the allegations -- such as the number of workers producing soccer balls during a specific period of time

-- are factually incorrect. The Nike representative noted that some of the suppliers from the 2007 allegations no longer exist or no longer have a relationship with Nike, though the rep said none of these relationships were ended because of suspicions of child labor.

Nike also claims that its process for hand-sewn soccer balls in China is currently such that there is "no chance" of child labor making its way into the supply chain.

An Axe to Grind

¶6. (SBU) According to the Nike representative, the latest child labor allegations did not arise until after the former employee was fired for poor performance in July. Since his separation from Shanghai Wanda, the individual has repeatedly sought an improved severance package while attempting to bring pressure on both his company and Nike, according to the Nike representative. Shanghai Wanda, which currently is still a supplier to Nike and other international brands, is reportedly contemplating legal action against China Business Journal, the periodical that published the former employee's allegations online, with a print version expected early this week.

¶7. (U) This cable was cleared by ConGen Shanghai and Embassy Beijing.

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